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C O N F I D E N T I A L SECTION 01 OF 02 MEXICO 002240

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SUBJECT: INITIAL TAKE ON CALDERON'S POLITICAL POSITIONING  
POST-MIDTERMS

Classified By: Acting Political Minister Counselor Jim Merz.  
Reason: 1.4 (b), (d).

11. (C) Summary. Since the July legislative elections, the Mexican media has painted a consistent picture of the results, touting them as a clear repudiation of Calderon's national security and economic policies. The media predicts that the PRI will be emboldened to reshape the national agenda, while Calderon will have to acquiesce more often to his opponents. Calderon also faces a contentious PAN party, whose defeat only broadens fractures in the party. He must choose either to unify the party or to marginalize further its prominent El Yunque faction. Nevertheless, Calderon is not without options. Over the past three years, he has proven himself a skilled politician, able to forge consensus with the opposition. As a former opposition leader, Calderon is well-aware of the PRI's vulnerabilities, such as its divisive personal rivalries and bickering interest groups. Calderon may look to take advantage of these vulnerabilities in order to push through limited reform and further his security agenda. End Summary.

Calderon's Bargaining Chips  
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12. (C) After PRI's July 5 victory, Calderon immediately congratulated the PRI and called for consensus building and national unity. He will likely continue exhibiting these statesman-like gestures, despite his reported anger and disappointment about the PAN's loss. Some even suggest he may add PRI members or PRI sympathizers to his cabinet. Carlos Casillas, PRI insider and Director of the Chamber of Deputies, Center for Social and Public Opinion Research, predicted that Calderon may choose to introduce PRI members into controversial positions, such as in the Secretariat of the Economy, Agriculture, Tourism or Employment, topics which are currently the focus of public scrutiny. (Note: No legislative confirmation process for Cabinet picks exists in Mexico.)

13. (C) When the new legislature is seated in September, Calderon may also choose to propose more controversial bills, such as labor or education reform (both of which impact prominent Mexican unions), in a bid to win accolades from a Mexican public that recognizes the need for such efforts. The President could spin any failure to pass the reforms, or their passage in a highly diluted form (such as last year's energy reform "lite"), as the fault of the now more powerful PRI. However, Calderon would have to negotiate this approach carefully, so as not to alienate PAN supporters like Elba

Esther Gordillo, leader of the powerful national teacher's union. These controversial reforms could easily expose the bickering interest groups and blocs that make up the PRI. However, the PRI's general voting discipline in the Chamber of Deputies was impressive (94.4%) during the last legislative period (2006-2009). Nevertheless, the PRI dramatically split in 2003 (helping to lower voting discipline to about 90 percent for that legislative period) over education reform, mostly due to internal factional squabbles.

14. (C) Calderon could also try and take advantage of PRI divisions. The PRI is hardly a single phoenix rising from its 2006 electoral ashes, and it is far from certain that the party can continue to manage effectively its own internal divisions. Its lack of clear and focused central leadership, a major factor leading to its last presidential defeat, remains a risk for the party as it enters the final legislative period prior to the 2012 presidential contest. The PRI is in many respects a coalition of factions, interest groups, powerful governors, and other political leaders with their own agendas and competing concerns. The party also harbors both social democrats from the left and the more centrist liberal democrats, which makes settling on and fully executing an ideological agenda difficult. While some PRI hard-liners contend that the party has learned from its past mistakes and will not engage in the infighting of the recent past, other PRIistas have confided to Poloff that such claims are mostly lip service in defense of a party that could once again dissolve into internal squabbling. The PRI has been more discreet than its PAN and PRD opponents in managing its

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internal struggles, but its lack of a powerful unifying authority was recently evidenced by the party's struggle to agree to a robust and timely national campaign message in response to PAN President German Martinez's "dirty war" against it (ref a).

Calderon Faces Internal Challenges

15. (C) According to the Mexican press and some political commentators such as Juan Pardinias, animosity between Calderon and the party's right wing faction, El Yunque, is spreading to other factions of the party. Calderon continues to surround himself with a small group of trusted insiders, averse to criticizing him or telling him what he does not want to hear. In recent weeks, the Mexican press has characterized Calderon as the worst "PRI president" in the last thirty years, because of his consolidation of presidential power, intolerance of dissent, and use of the "dedazo" -- overriding democratic practices to select his favored candidates for key offices. Meanwhile, PAN party opponents are less restrained in blaming him for the party's ills, including its poor electoral performance, a charge to which he is vulnerable given the lead he and Martinez assumed in developing PAN's electoral strategy and pushing forward their candidates. If Calderon does not offer his party opponents an olive branch, for example by supporting open elections for PAN party leader on August 8 instead of forcing in his assumed pick, Cesar Nava, he will face rising dissent and obstructionism from PAN party adherents.

16. (C) Autonomous Technical Institute of Mexico (ITAM) political expert Jeff Weldon, however, argues against the suggestion Calderon is facing a burgeoning crisis within his own party. Weldon maintains that the PAN is accustomed to deep internal divisions in the party and believes that if Calderon reinstates democratic selection processes in the PAN it will serve to unify the party and mend some of the ill-will created during the midterm election campaign. In addition, Weldon points out that the PAN's loyal support base, composed primarily of Christian Democrats and the religious right, have little place to turn outside PAN for political support and influence. Their best bet remains trying to exert influence from within the party itself.

Comment

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17. (C) Although Calderon took a hit in this month's midterm elections, he is not automatically relegated to lame duck status. Much depends on Calderon's stance toward his own party and his interactions with the PRI, coupled with how he proceeds with his reform agenda over the next three years. PRI Senate coordinator and powerful party leader Manlio Fabio Beltrones has already said that even though the party will be more assertive in trying to shape the Congressional agenda, the PRI pledges to legislate responsibly with the PAN and support the federal government in various efforts. As Mexico confronts serious economic and security challenges, the last thing the Mexican public wants is a deadlocked government, unable to forge consensus around key issues over the next three years. Calderon probably will find that the PRI is still willing to negotiate on some important items of legislation, especially on security. However, they will extract greater legislative concessions in return, particularly on social spending. Alternately, Calderon may look to beat the PRI to the punch by introducing greater social spending and economic relief programs in the coming months, dictating the Congressional agenda while simultaneously winning points for a PAN under fire for its traditionally tight fiscal policies. Visit Mexico City's Classified Web Site at <http://www.state.sgov.gov/p/wha/mexicocity> and the North American Partnership Blog at <http://www.intelink.gov/communities/state/nap/>

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